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**State of New Jersey**

**Public Employees'  
Retirement System**

**LEGISLATIVE  
RETIREMENT  
SYSTEM  
ADDENDUM**



**January 2010**

**Department of the Treasury  
Division of Pensions and Benefits**



# PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## HANDBOOK ADDENDUM FOR THE LEGISLATIVE RETIREMENT SYSTEM OF THE PERS

**as of January 2010**

### INTRODUCTION

As a member of the State Legislature, you are entitled to all the privileges of membership in the Public Employees' Retirement System (PERS).

In addition, members of the Legislative Retirement System (LRS) group of the PERS are eligible for enhanced retirement benefits not available to regular PERS members.

This *Handbook Addendum* addresses the benefits available to LRS members that are different than the benefits available to regular PERS members. If a topic is not specifically addressed in this addendum, LRS members should refer to the information in the *Public Employees' Retirement System Member Handbook*.

### MEMBERSHIP

#### Closed to New Members

Chapter 92, P.L. 2007, closed the Legislative Retirement System group of the PERS to new enrollees as of July 1, 2007.

- A State Legislator who is newly elected to office on or after July 1, 2007, is ineligible for enrollment in the PERS. Elected officials may be eligible for enrollment in the Defined Contribution Retirement Program (DCRP).
- A State Legislator who was enrolled in the LRS group of the PERS *prior to* July 1, 2007, may continue to receive LRS-PERS service credit while serving in the same elected office — service in either House of the State Legislature is considered a *single* elected public office. If, however, the individual is elected to a different elected office, PERS membership will end and the newly elected official may only be eligible for membership in the DCRP (see Fact Sheet #80, *DCRP for Elected and Appointed Officials*, for more information).

### Eligibility

Members of the Legislative Retirement System group were elected to the New Jersey State Legislature *prior to* July 1, 2007, and enrolled in the Legislative Retirement System group of the Public Employees Retirement System.

### SERVICE CREDIT

Service credit for members of the LRS can be of one of two types:

- **Legislative Service** — credit for service as an elected legislator; and
- **Non-Legislative Service** — service credit from other PERS eligible employment.

### VESTING

Members of the LRS are vested in the retirement system after eight years of legislative service.

### RETIREMENT

#### Types of Retirement

The types of retirement available to you as an LRS member are explained below.

#### Special Legislative Retirement

As a Legislator you qualify for a Special Legislative Retirement benefit at age 60 with no minimum service requirement. If your only public service credited in the PERS is as a legislator, your retirement allowance will be based on 3 percent of your Final Average Salary for each year of service as a legislator.

#### Special Legislative Retirement

The following example demonstrates the calculation for a legislator (age 60 or older) retiring with 12 years of legislative service and no other PERS service credit.

Final Average Salary = \$49,000

Service = 12 years X 3% = 36%

\$49,000 X 36% = **\$17,640** annual retirement allowance

Value of group life insurance in retirement equals 3/16ths of salary in final year.

\$49,000 X 3/16 = **\$9,187**

**"Final Average Salary"** means your salary subject to pension deductions in your last three years of service or your three highest fiscal years (July - June), whichever provides the larger benefit. Your retirement allowance can be no more than two-thirds of your Final Average Salary.

### **Service Retirement (Non-Legislative)**

If you have other public service credited in the PERS in addition to your legislative service, your retirement allowance will be calculated three ways to determine which method provides the highest benefit. The alternative methods of calculation are listed below:

**1. Special Legislative Retirement** allowance (years of legislative service X 3% X Final Average Salary)

**2. PERS Service Retirement** allowance (years of PERS service ÷ 55 X Final Average Salary).

**Note:** The PERS Service Retirement will be based upon all credited public service and salary considered as regular PERS service. You will not receive duplicate service credit for any period during which you were contributing to the retirement system based on concurrent service for both legislative and non-legislative public service as no more than 12 months of service credit will be counted for any calendar year. A PERS Veteran Retirement allowance will be calculated if applicable.

**3. Combined Retirement Allowance** (sum of a Special Legislative Retirement allowance and a regular PERS retirement allowance based on non-legislative service).

An example of the different calculations of retirement benefits for a legislator, age 60, with non-legislative service credit is shown in the chart below.

In the example, the third calculation produces the highest allowance of the three and therefore represents the retirement allowance the legislator will receive. The value of the group life insurance benefit at retirement is 3/16ths of his or her total final salary of \$64,000, or \$12,000. In the event the first calculation represented the highest possible allowance the member would have received a refund of the unused pension contributions for his or her non-legislative service.

The Division of Pensions and Benefits will carefully review all calculation possibilities at retirement to ensure that you receive the highest benefit permitted by statute. Legislators with more than 8 years of legislative service or who are 58 years of age or older are encouraged to contact the Division of Pensions and Benefits to request a retirement estimate to aid in retirement planning.

### **Calculation of Retirement Benefits for Both Legislative and Non-Legislative Service**

<b><u>Position</u></b>	<b><u>Service</u></b>	<b><u>Final Average Salary</u></b>
Legislature	10 years	\$49,000
Non-Legislative Position the last 10 of which were concurrent with the legislative service	11 years	\$15,000
Three highest years of salary (averaged) when salary is combined		\$64,000

<b><u>Calculation Type</u></b>	<b><u>Final Average Salary</u></b>	<b><u>X</u></b>	<b><u>Benefit Percentage</u></b>	<b><u>=</u></b>	<b><u>Retirement Allowance</u></b>
1. Special Legislative Retirement Allowance	\$49,000 (Based on 10 yrs. legislative service)		30% (10 yrs X 3%)		\$14,700
2. Regular PERS Retirement Allowance	\$64,000 (Based on all public service credit 11 yrs)		20% (11 yrs ÷ 55)		\$12,800
3. Combined Allowances (Legislative)	(\$49,000 - 10 yrs)		30%		\$14,700
(Non-legislative)	(\$15,000 - 11 yrs)		20%		\$3,000
					<u>\$17,700</u>

**Additional types of retirement available to legislators whose public service careers include non-legislative service credit in the PERS follow.**

### **Deferred Retirement**

If you leave all positions covered by the PERS before age 60, and have at least 8 years of legislative service credit in the PERS, you may apply for a Deferred Retirement. Your retirement would be effective on the first of the month following your 60th birthday. Your retirement allowance would be calculated in the same way as the Service Retirement explained above.

As a legislator, you would qualify for a Deferred Retirement after eight years of legislative service, rather than the 10 years needed by other PERS members.

### **Early Retirement**

If you have at least 25 years of service credit in the PERS, you qualify for an immediate retirement allowance, regardless of your age. Your retirement allowance would be calculated by dividing your years of service credit by 55 and multiplying that by your Final Average Salary (years/55 X FAS). If you are under age 55, your allowance is permanently reduced 1/4 of 1 percent for each month under that age (3 percent per year).

### **Veteran Retirement**

If you are a qualified military veteran who continues in employment covered by the PERS, you may qualify for a Veteran Retirement. In certain circumstances a Veteran Retirement may provide a higher benefit than the Legislative Retirement benefit.

The qualifications for Veteran Retirement are the same as those for other PERS members. Please see the *PERS Member Handbook* or Fact Sheet #17, *Veteran Status*, for more information.

### **Disability Retirement**

Ordinary Disability Retirement and Accidental Disability Retirement are available for LRS members. The qualifications and calculations are the same as for other PERS members.

Please see the *PERS Member Handbook* for a detailed description of Ordinary Disability Retirement and Accidental Disability Retirement benefits.

## **OPTIONAL SETTLEMENTS AT RETIREMENT**

The calculations for each type of retirement shown above produce the largest amount available to you, also known as the Maximum Option. When you apply for retirement you may reduce your retirement allowance to provide a benefit to a survivor upon your death. Several pension options are available that provide either a lump-sum benefit or a monthly pension to your beneficiary. These options are the same as those available to other PERS members. Please see the *PERS Member Handbook* for more information.

## **RETIREMENT WHILE REMAINING IN THE ELECTED POSITION**

State law, N.J.S.A. 43:15A-47.2, permits a PERS *elected official* to retire from all other PERS employment and continue holding office provided that the retirement allowance is not based solely on service in the elected public office. The official may receive full salary for the office; however, no PERS contributions will be required and no additional PERS service credit will be earned. This is true even if the member is re-elected to the same position after retirement.

## **GROUP LIFE INSURANCE**

Most **active** members of the State Legislature are covered by a group life insurance benefit of 3 times base salary (see the *PERS Member Handbook* for details).

**Upon retirement**, the group life insurance benefit is reduced to 3/16ths of the base salary at retirement.

**“Base Salary”** means your salary subject to pension deductions as of the date of death or retirement.

**Note:** Group life insurance reduction amounts differ for disability retirees (see the *PERS Member Handbook* for details).

## **OTHER PROVISIONS OF THE PERS**

The rules regarding Contribution Rates, Purchasing Service Credit, Loans, Health Benefits Coverage at Retirement, and Withdrawal from the PERS are the same for LRS members as they are for regular PERS members. Please see the *PERS Member Handbook* or your personnel representative for more information regarding these benefits.

## NOTES



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